

Electronic Benefit Transfer (EBT) Project



Request for Proposal for EBT Services

Appendix C, Waivers to Federal Regulations

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OSI EBT RFP #XXXXXX

<Month> 2015

California Health and Human Services Agency
Office of Systems Integration

PRE-SOLICITATION #16153

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California Electronic Benefit Transfer (EBT)

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Appendix C, Waivers to Federal Regulation

This appendix includes information on waivers to federal regulations that apply to the Request for Proposal (RFP), OSI EBT RFP #XXXXX.

On December 3, 2014, the United States Department of Agriculture Food and Nutrition Service (USDA-FNS) provided conditional approval of the following waivers for California Electronic Benefit Transfer (EBT) Services:

- C1. Charges to Retailer, Reinstallation Fees
- C2. Adjustment Hold
- C3. Personal Identification Number (PIN) Selection via Automated Response Unit (ARU)

C1. Charges to Retailer, Reinstallation Fees

Waiver Serial Number	980092
Federal Regulation Citation	7 Code of Federal Regulations (CFR) 274.3(a)(2)
Regulatory Requirements	7 CFR 274.3(a)(2) prohibits requiring retailers from paying costs essential to and directly attributable to the operation of an EBT system, as long as the equipment or services are provided by the State agency or its contractor and are utilized solely for the Supplemental Nutrition Assistance Program (SNAP).
California Waiver	This waiver allows the State to charge reasonable fees to reinstall EBT Point-of-Sale (POS) devices if the retailer breaches the retailer agreement and returns to the EBT system using State-supplied devices, or if the retailer returns after being disqualified. This also allows the State to charge reasonable fees to de-install State-supplied POS terminals if a retailer changes to a third-party processor. The possibility of these charges should be mentioned in the retailer agreement and training material.

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C2. Adjustment Hold

Waiver Serial Number	2010167
Federal Regulation Citation	7 CFR 274.2(g)(2)(ii)
Regulatory Requirements	7 CFR 274.2(g)(2)(ii) requires the State agency to act upon all adjustments to debit a household's account no later than ten (10) business days from the date the error occurred, by placing a hold on the adjustment balance in the household's account. If there are insufficient benefits to cover the entire adjustment, a hold shall be placed on any remaining balance that exists, with the difference being subject to availability only in the next future month. The household shall be given, at a minimum, adequate notice in accordance with 7 CFR 243.13. The notice must be sent at the time the initial hold is attempted on the household's current month's remaining balance, clearly state the full adjustment amount, and advise the household that any amount still owed is subject to collection from the household's next future month's benefits.
California Waiver	This waiver allows the State to implement an EBT adjustment system which does not place a hold on a household's account for the amount of the debit adjustment. The State must send a concurrent notice to the household upon receipt of the requested adjustment. The State may also act on the debit adjustment within fifteen (15) calendar days rather than ten (10) business days.

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C3. PIN Selection via ARU

Waiver Serial Number	2000040
Federal Regulation Citation	7 CFR 274.8(b)(3)(ii)(c)
Regulatory Requirements	7 CFR 274.8(b)(3)(ii)(c) requires communications network security that utilizes the Data Encryption Standard algorithm to encrypt the PIN, at a minimum, from the point of entry. Other security may include authentication codes and check-sum digits, in combination with data encoded on the magnetic-stripe, such as the PIN and/or PIN offset, to ensure data security during electronic transmission. Any of the network security measures may be utilized together or separately and may be applied at the terminal or central computer as indicated in the approved system design to ensure communications control.
California Waiver	This waiver allows the State to waive encryption of PIN from point-of-entry. Food and cash cardholders may call the Cardholder Call Center to select a PIN of their choice using an ARU system. The process requires entry of the primary account number (PAN) and verification of the cardholder's identity before a PIN can be selected. Upon verification, the system will prompt the cardholder to select a PIN of his/her choosing by entering the PIN on a touch-tone pad and then require re-entry of the PIN for confirmation. The cardholder will have immediate or next day access to his/her benefits using the new PIN.

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